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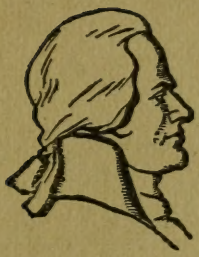
THE HUMAN ELEMENT



MODERN BUSINESS
TALK No. 2

ALEXANDER HAMILTON INSTITUTE
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The Human Element

Number Two of a Series of Modern Business Talks Prepared by the Alexander Hamilton Institute

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READING ASSIGNMENT
NUMBER TWO

> *"The great executive must . . . have intellectual power, a vivid imagination, intuitive knowledge of men, and a personality which makes others keen to do his will."*—Page 209, Chapter X, Volume 1 of the MODERN BUSINESS Text.

(1) Read this Talk on "The Human Element." The qualities that contribute to success in business are the same in the big executive and in the rank-and-file worker. This Talk points out some of these qualities.

(2) Read Chapters VIII-XV (pages 171 to 319 inclusive), of "Business and the Man," which is the first volume in the MODERN BUSINESS Text.

(3) Study the situation described in Problem 1 and send in your solution for criticism.

Is your first reading assignment completed, reviewed and put out of the way? Make it a point as nearly as possible to complete one assignment before beginning another, and do not fall behind the schedule. There is keen satisfaction in keeping a little ahead of your schedule.

> *I believe in today. It is all that I possess. The past is of value only as it makes the life of today fuller and freer. Tomorrow depends upon the present—I must make good today.*—ANON.

The Human Element

"The great business man is never content with what has been done by others or by himself. He is always surprising his competitors by doing something which they had not deemed possible."—Page 199, Chapter IX, Volume 1 of the MODERN BUSINESS Text.

Ten years ago, in a city in the Middle West, a man opened a men's furnishing store. Today he is still conducting that store. It does not occupy a single additional square foot of ground or floor space. It has never returned more than a very modest income.

Just one year later, another man opened a furnishing store only half a block away from the first. Today this store is only one in a chain of five, and they have made for their proprietor a small fortune.

Why this difference?

Ask the first man you meet and he will probably say that he cannot explain it. He may venture the opinion that fate has been against the former and that luck has been with the latter. But if you study the second man you will see wherein lies his power. You will find that he has a good grasp of economic principles. He will tell you that his wider vision came from an association of several years with an employer who had achieved success thru well-defined policies based on correct business principles. This training had been denied the first man. His vision

was cramped thru lack of that which we call "a broad outlook."

Unfortunately, most men lack such training and—what is worse—fail to supply the want by proper education.

> *The difference in men is largely one of knowledge. Genius counts for much less than diligence and perseverance in acquiring knowledge.*

A Contrast

The proprietor of this chain of furnishing stores has shown that he has well-defined ideas of financing, of human organization and of store management; of percentage records, of expense ratios, of selling plans, of expansion. He is able to correlate all those elements that go to make up successful management.

His competitor, on the other hand, has no well-defined policies. His selling ideas are crude, and he has nothing that even resembles an efficient selling organization. He hasn't, as you might say, got beyond his arithmetic. Altho said to be naturally a capable man, he manifestly is not an efficient business man.

And it is plainly noticeable that men are beginning to understand more fully than formerly that much more depends upon what they are than on what they have of material wealth—that ability is a greater asset than a bank account, and that without such ability, the possession of even a large factory and an

army of workers furnishes no guaranty of the permanence and success of the enterprise.

It is being realized that the greatest thing of which we have any knowledge is that power which we call "mind"; and that this element is supreme in business life as it is in all other forms of human activity. The power to think, to analyze and classify, to initiate and execute, is that which obtains for a man both greater responsibilities and greater rewards.

From the Ears Down

A distinguished authority has said that: "All men are alike from the ears down"; and some one, upon hearing the quotation, added: "and there isn't much difference from the ears up either."

Many who will readily indorse the former statement, may take exception to the latter. If you take a Hottentot and give him the right surroundings and training from infancy, will he at maturity possess approximately the same mentality as the rest of us?

This raises the old question of the relative influence of heredity and environment.

Unquestionably, heredity counts for much; unquestionably, too, environment—by which we mean education and training—counts for more. Who shall say that the track-layer who earns $500 a year, might not, under proper conditions, have been the railroad president earning $50,000 a year?

It is an economic law that the worker is rewarded according to the amount of wealth that he produces.

It might seem to some that on that basis the track-layer actually produces more wealth than the president of the railroad who sits in his office and "takes things easy." This is not so, however. The president controls. Therein lies the difference. The workman left to himself without the benefit of the president's brains and training, could produce but a small amount of wealth. He needs direction. The other man directs.

A man's value in business is in inverse ratio to the amount of supervision he receives.

Increasing Values

In normal times the price of iron ore at the mine is about $2 per ton. When converted into pig iron, its value is about $16 per ton. In the form of steel rails, it is worth, say, $30 per ton. If manufactured into steel pens or, still better, into watch springs, the value amounts to thousands of dollars. The difference in price between a ton of ore and a ton of watch springs lies in the labor bestowed upon the product. But basically, it is the same material.

The untrained worker may earn $2 a day by the use of his pick and shovel. Give him sufficient training and the use of sufficient tools, and he is capable of earning, say, $4 a day. Teach him further to organize work in a shop and to manage men and he will probably command $8 a day. Go a step or two farther and train him to think, to plan, to initiate, and no limit can be put upon the value of his services.

It is only natural that as the importance of training becomes more fully realized, greater attention should be paid to the development of personal efficiency. If in the conduct of business every mistake or error exacts its own payment—and it does—it is surely imperative that workers be trained along right lines. It is necessary even to go back of such training and to begin with careful selection. No longer is it possible to follow the "hire-and-fire" policy of our fathers. Efficiency demands that workers be wisely selected and carefully trained.

One of the large railroad systems of the country has recently realized the necessity of having a school for its officers. To quote the official in charge of this educational work: "We must make our men—we cannot wait for them to grow. A man may spend a lifetime in one of our operating departments without ever knowing what any other department does, or how it does it. Are we to sprout superintendents—grow managers of our own—or are we to depend upon other companies being fools enough not to know a good man and to let us have him when our need becomes pressing?"

This training of workers has assumed such an important place in some of our most progressive concerns that men have been selected to devote their entire time to directing such educational work. The call for broad-gauged men to do this is becoming more and more insistent.

Modern tendencies in business favor developing the brain material already available within the organization, as against obtaining it ready-made from the outside.

This attitude on the part of modern business men has brought into striking relief the evident truism that a person's capacity to *earn* depends upon his capacity to *learn*.

Ability to Rise

It is sometimes asked: How do big business men obtain their rise in the financial world? Observation seems to show that it is obtained chiefly from two sources:

1. From the credit extended to them by bankers and capitalists who believe in their abilities.

2. From the confidence reposed in them by stockholders in large enterprises who choose them for positions of great responsibility.

There is no doubt that any man who is able to secure the backing of bankers and security holders can rise to great power, for these two classes are constantly searching for capable men.

Nothing is farther from the truth than the belief that there is a monopoly or an aristocracy of "big business." That field is open to all, and is strictly democratic. Nothing but ability counts. The late James J. Hill was a mighty figure in the world of big business, yet he owned but a relatively small amount of stock in the great railroad of which he was

president. The same was true of Mr. Harriman who, until his death, ruled the destinies of the Union Pacific. He owned only a small fraction of the corporation's stock. But both these men possessed conspicuous ability, and it was this that acquired for them their great power in business.

It is chiefly in a constructive way, however, that successful business men use their superior knowledge. They know how to increase their output, how to reduce their operating costs—how to do any number of desirable things—without setting in motion any of the agencies that would endanger their business, such, for example, as restricted credit, over-production and strikes.

Knowledge is not only power; it is the incentive to use power rightly.

Shadows of Coming Events

It is striking how perspicacity, or the power of clear mental vision, enters into the make-up of the efficient business man. A certain well-known American firm was originally engaged in the business of making carriage lamps. That was a number of years ago, when horse-drawn vehicles were the only ones used. But a few years later, the approaching shadow of the automobile appeared in the distance. The lamp manufacturers were alert and read aright this sign of the times. They saw that there would soon be a large demand for automobile lamps, and they prepared themselves to supply that demand. For nearly ten years they turned out automobile

lamps—easily leading a host of followers and competitors in the quantity and quality of their product.

Then suddenly another shadow appeared on the horizon. This time it was that of an electrically lighted car. With ample power in itself to operate an electric lighting system, the time was evidently coming when no car would appear on our thorofares with the old-fashioned, cumbersome and insufficient oil lamp.

So they went to work. Two problems confronted them. One was the perfecting of the lamp itself, and the other—and more difficult one—was to educate the consumer. Eventually, both problems were solved, tho not without much effort, experimenting and expense. Soon oil lamps were seen no more on motor cars except as reserve equipment. The factory worked overtime to supply a waiting public with electric lighting systems for its automobiles.

But now still another shadow appeared. It was distant as yet, but plainly visible. Strange how keen-visioned those modern business men and manufacturers are: Signs that it was drawing nearer were unmistakable. The important thing was to be ready when the fore-shadowed event should arrive. On every hand car owners were seen almost breaking their backs, straining the muscles of their arms and developing calloused spots in their hands every time they wished to start their cars. Not only was the act of cranking heavy; it was often dirty, and—worse still— it was actually dangerous. Yet thus far it had been a case of "no cranking, no driving."

But now that nearly every car had its own electric lighting system, it ought to be possible, these manufacturers thought, to carry the work a little farther and make the electric apparatus do the cranking! They foresaw the time when no one would buy an automobile that required cranking by hand, if the mere pushing of a button from the driver's seat could be made to do the trick.

Of course, there were obstacles to overcome. There was a campaign of education ahead; there were large expenditures of money involved. There were keen analyses to be made, and new paths to be found for exploiting and marketing the product. But the end was never in doubt and the result has amply justified the expectations of the far-seeing manufacturers. Their success came from their ability to forecast the future, and is a distinct tribute to their business efficiency. For today, every make of car that claims to be up-to-date and complete has its electric lighting outfit and its self starter.

Foresight in business pays. It enables the manufacturer to create wants in the mind of the public—wants that he himself is ready to satisfy.

The Menhaden Shortage

This ability to put two and two together, which forms such a large part of business efficiency, sometimes finds peculiar ways in which to express itself. Some years ago, an industrious young man, employed as a bill clerk in a New York jobbing house,

had got into a state of mind where he began to think of himself as a failure. Opportunities seemed never to come his way. One day he read in a magazine an article about the menhaden fisheries. He would probably never have read it but for an illustration which showed a huge pile of fish. That interested him for he was fond of fishing.

The articles described how thousands of tons of menhaden—a very bony fish—are caught every year by Chesapeake trawlers and converted into fertilizer. The young man was at once interested, for fertilizer was one of the commodities in which his house dealt, tho he had never looked into its origin.

It so happened that some time afterwards an interrupted fishing trip threw him into the company of a fishing-boat captain who supplemented the young man's previous information on the subject of the menhaden catch with observations gleaned from his own ripe experience as a fisherman. The next day the young man sought the head of the jobbing house: "Mr. Jones," he said, "I know that we don't usually buy fish fertilizer as early as this, but I think we ought to buy now, and buy all we can get." And he gave his reasons. "The menhaden are schooling," he said, "but in rough weather the trawlers can't make full catches. There's going to be a shortage. We had better act quick."

The head of the house saw the point, satisfied himself as to the facts in the case, and gave the buying order which usually was not issued until several weeks later.

That season fish fertilizer advanced $2 a ton and the farmers grumbled. They didn't know that the storms they had read about some months before were the cause of the advanced price of fish fertilizer. Incidentally, the young bill clerk was transferred to the purchasing department and is today in charge of that department. He has established a reputation for being able to discern and take advantage of events before competitors become aware of them, and it is said of him that in his present position he earns his salary many times over in the course of a year.

Knowledge, vision, initiative, execution —these are the qualities that produce the efficient business man. Only by education is such efficiency produced.

Synopsis

In Chapter VIII of the current assignment, the author discusses the subject of health in its bearing upon the business man's efficiency. Obviously, an active and vigorous mind, such as every business man needs, demands a sound physical organism capable of sustaining it at its full force. But we need to be reminded that the body will not remain in good condition if left, so to speak, to itself. It must be given proper care. It is not sufficient, for example, that our food be wisely selected and properly prepared; it must also be thoroly chewed in order to be fully digested and easily assimilated. And to this end—so great is the reaction of mind and body upon each other—the mental state at the time of eating must be taken into account. There are times when

food taken into the body becomes poison merely because the mental state at the time of eating was unfavorable to the process of digestion. The author emphasizes in that chapter the importance of keeping the human machine in good order—a matter to which all too few give sufficient attention.

Chapter IX, "The Efficient Business Man," contains much that is of interest to every subscriber for the MODERN BUSINESS Course. The qualities essential to business efficiency are discussed in such a way that they will be remembered and so that they may be cultivated when deficient. In Chapter X, "The Executive," the characteristics and functions of that person are considered. You will agree, for example, with the author when he says:

> *"All great business men have been courageous. They have dared things which would have frightened and paralyzed weaker men. The odds were often against them, but they kept on fighting. They had courage as well as initative."*

But the executive must select his subordinates; he must also exercise control and direct their activities, and these are no unimportant parts of his functions. His success often depends upon his ability for these things. They are adequately discussed in this chapter.

In every business of any size there are always workers who may properly be designated "junior officers." They are usually in charge of certain

departments and are in line for promotion to executive positions. They constitute a large part of the body of business men and are, as a rule, ambitious to be intrusted with greater responsibilities. Some of them, thru ignorance of the qualities that insure rapid promotion, unwittingly retard their own progress and at times even put a definite stop to it. To such the information contained in Chapter XI is especially helpful.

A study of man in his relation to business would be incomplete without some reference to the rank-and-file worker; hence the author devotes an entire chapter (Chapter XII) to a discussion of the problems and the opportunities of these persons so essential to the conduct of business. The means whereby promotion is most readily obtained and the qualities that weigh with employers in choosing men for higher positions, are among the many important subjects contained in that chapter.

In Chapter XIII a subject is dealt with that comes very close to each of us, that, namely, of "personality." A strong personality, a pleasing personality—who does not wish to possess that boon? In business, personality necessarily counts for much. Some salesmen even maintain that sales are made solely on the basis of personality, and that the value of the goods sold is of only secondary importance. But just what is personality? And how may the right personality be developed? These are questions which the author answers for us in that chapter. It should be studied carefully.

While self-analysis is indispensable to self-improvement, ability to judge the character of others is likewise an important aid to a successful business career. Of this, Chapter XIV speaks at considerable length, pointing out some commonly believed fallacies and directing the investigation along right lines. Its great practical importance makes this chapter especially valuable to the business man.

The last chapter, "Opportunity," deals with the question that is, if not upon the lips, at least in the minds of thousands. "When will my opportunity come"? Some who ask that question may be surprised to learn that opportunity has come and is waiting. Moreover, that opportunity is not to be sought in outward conditions, but within our own bosom. How to develop this opportunity and turn it to account in business, is the point, and on that the chapter throws much light. It is a fitting conclusion to a volume that thruout has discussed man as the prime factor in business.

> *Study the work you are doing. When a man gets it into his head that there is a right and a wrong way to handle every job, he has taken the first step toward making his work interesting.*
>
> —FORD TIMES.

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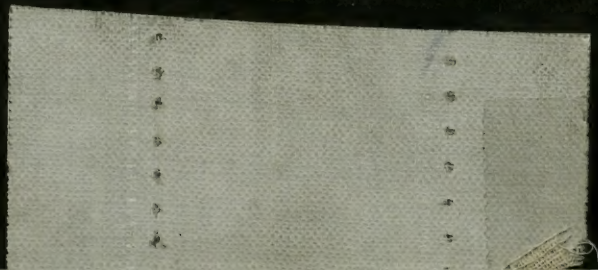

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